CITIGROUP PTY LIMITED (CPL): APS 330 REMUNERATION DISCLOSURE

YEAR ENDED 31 DECEMBER 2013

The following remuneration disclosures have been prepared in accordance with Australian Prudential Regulation Authority (APRA) Prudential Standard APS 330 *Public Disclosure* (APS 330). This disclosure relates to senior managers and material risk takers of CPL - it is provided for regulatory disclosure purposes and is not comparable to financial reporting or other information disclosed elsewhere by CPL.

Remuneration Committee's responsibilities

CPL remuneration requirements are overseen by the CPL Remuneration Committee (Committee) and the CPL Board of Directors (Board). The Board established the Committee which makes recommendations to the Board regarding remuneration. The Board is ultimately responsible for remuneration governance. The current members of the Committee are all independent non-executive directors, being:

1. Barry Brownjohn (Chairman)
2. Samantha Mostyn
3. Frank Ford
4. Richard Warburton

The responsibilities of the Committee are described in the Committee's Charter which is reviewed annually by the Board. The Committee makes recommendations to the Board, although the Board retains discretion to adjust performance-based components of remuneration to reflect the outcomes of business activities, the risks relating to those activities and the time necessary for the outcomes of the business activities to be reliably measured. This includes adjusting variable components of remuneration downwards (to zero if appropriate) to protect the financial soundness of CPL or to respond to significant, unexpected or unintended consequences that were not foreseen by the Board.

The Committee may consult a professional adviser or expert, at the cost of CPL, if the Committee considers it necessary to carry out its duties and responsibilities. No remuneration recommendations were obtained from external consultants during the reporting period.

The Committee met three times during the year ended 31 December 2013. Members of the Committee receive a fixed director's fee. No additional fees are paid for serving on Board committees.

Citi's Remuneration strategy

As a member of the global Citi community (Citi), CPL adopts Citi's global remuneration framework. CPL acknowledges the Final Guidance on Sound Incentive Compensation Policies (the Guidance) issued in June 2010 by the Federal Reserve and other major U.S. government offices. The Guidance is principles-based, and seeks to eliminate imprudent risk taking by bank employees through requiring "risk balanced" variable remuneration. With a goal of best practice in governance which is also responsive to the Guidance, Citi has implemented and continuously enhanced its risk-balanced framework for variable remuneration.

Citi's remuneration strategy is designed to:

- Attract, retain and motivate employees in a way that does not encourage excessive risk taking;
- Reward individual performance (including conduct) and overall contribution to the business;
- Manage risk through sound incentive compensation practices;
- Provide strong, independent oversight of compensation practices;
- Foster engagement through encouraging employees to be both an owner and a customer of Citi; and
- Support business objectives.

Remuneration Policy and Framework

The CPL Remuneration Policy provides a governance framework for the structure and operation of remuneration.

The objective of CPL's Remuneration Policy is to ensure that the remuneration framework encourages behaviour that supports CPL's long-term financial soundness and its risk management framework. CPL leverages Citi's global remuneration framework to satisfy the APRA Prudential Standard CPS 510 *Governance* requirements and is considered appropriate in the local context.

The key sections of the CPL Remuneration Policy are:

- Remuneration Framework - Fixed, Variable, Discretionary Incentive and Retention Award Plan (DIRAP) and Sales Incentive Programs (SIPs):
- Performance Management Framework (Review, Measures, Process): and
- Adjustment to Performance Based Components.

The Remuneration Policy is reviewed annually by the Committee and the Board, with the last review of the Policy completed in December 2013. The amendments to the Policy during 2013 included updates to ensure compliance with APS 330 and references to changes to employee trading policies.

CPL has no foreign subsidiaries or branches. The CPL Remuneration Policy is only applicable in Australia.

Senior Managers and Material Risk Takers

The types of persons considered as Senior Managers of CPL are the responsible persons of CPL, other than the non-executive directors and auditors, as defined in paragraph 19 of APRA Prudential Standard CPS 520 *Fit & Proper*. This includes the following types of persons:

- The Chief Executive Officer (CEO);
- The senior employees who report to the CEO and have direct responsibility for CPL's business; and
- Senior employees responsible for certain corporate functions across Citi Australia, including Finance, Compliance, Risk Management, Legal, Operations & Technology and Treasury.

The type of persons considered as material risk takers (MRTs) of CPL are the persons for whom a "significant" portion of total remuneration is based on performance and whose activities, individually or collectively, may affect the "financial soundness" of CPL.

For the year ending 31 December 2013, CPL had 22 Senior Managers and 0 Material Risk Takers.

Alignment of Remuneration with Risk Management

CPL's remuneration programme aims to:

- enhance shareholder value through the practice of responsible finance;
- facilitate competitiveness by attracting and retaining the best talent;
- promote meritocracy by recognising employee contributions; and
- manage risk through sound variable remuneration practices.

The performance assessment of all employees is based on individually tailored goals and an overarching goal of responsible finance. The responsible finance part of the assessment incorporates risk and compliance behaviours.

CPL manages current and future risks in the remuneration process as outlined below. There has been no change to these measures during the reporting period.

Key Risks	Key Measures of Risk	Details of Management Review
Operational Risk	• Audit findings • Fraud losses • Business Disruption & System Failure • Business Continuity • IT Security • Business practices • Escalation responses • Control breaches and near misses	• Operational risk measures are reviewed regularly and reported to management. • Issues are escalated within Citi's regional and global Enterprise Risk Management function and to management for action.
Financial Risk, including credit risk, market risk and liquidity risk	Compliance with Citi's specified trigger limits for key credit, liquidity, funding, rate of return, earnings volatility, target debt rating, capital and market risk limits.	• Citi manages credit, liquidity and market risks continuously, including comparison of historical performance indicators and stress testing. • Regular review of authority levels, delegations and approval limits. • Regular governance review of key risk functions.
Compliance Risk	• Audit findings • Completion of mandatory compliance training • Review of regulatory compliance breaches and near misses	• Compliance measures are reviewed regularly and reported to internal management. • Issues are escalated immediately to management and within Citi's regional and global Compliance function.

Risks may be balanced through "ex-ante" or "ex-post" adjustments to variable remuneration:

- ex-ante adjustments are made before the grant of variable remuneration (such as using risk-adjusted metrics to evaluate performance.)

- ex-post adjustments are made after the grant (e.g. deferral periods, performance-based vesting, and clawbacks).

The framework is intended to complement effective risk management controls by reducing incentives to create imprudent risks for CPL and its businesses and by rewarding a thoughtful balance of risk and return.

Part of Citi's framework for delivering risk-balanced variable remuneration is to formally document a summary of overall performance which provides the rationale for the incentive compensation recommendation. This process is based on a rating methodology which is embedded in the annual performance management review.

Furthermore, CPL ensures that Risk and Financial Control personnel are remunerated independently of the businesses they oversee, as follows:

- Employees engaged in control functions have direct reporting lines within their own function that are separate from the business, and that are responsible for the reward of those employees, both in terms of year end compensation, salary increases and promotion.
- The control functions are each allocated a variable remuneration pool that is separate from the revenue generating businesses, and decisions about allocations from those pools are made within the relevant control functions themselves.
- Both fixed and variable remuneration for the control functions is regularly tested in line with external market data to gauge whether it is in keeping with the market. The level of variable remuneration for control function employees is determined by reference to performance against objectives that are set and assessed within their respective functions.

Deferral and clawback

CPL seeks to balance the need to compensate its employees fairly and competitively (based on their contribution to group performance and individual performance) in order that their compensation reflects Citi’s principles of risk management and performance metrics that reward long-term contributions to sustained profitability.

CPL’s policy on variable compensation is to ensure that any award which is wholly discretionary can be decreased to zero as a result of negative group and/or individual performance.

CPL remuneration consists of fixed annual salary and employer superannuation contributions (FAR), and variable remuneration, being a mix of immediate cash, deferred shares and deferred cash award, as set out in the table below.

Total Variable Remuneration (USD or local currency equivalent	Immediate Cash	Deferred Shares	Deferred Cash
50,000 – 99,999	90%	-	10%
100,000 - 499,999	75%	12.5%	12.5%
500,000 – 999,999	70%	15%	15%
1,000,000 – 1,999,999	65%	17.5%	17.5%
2,000,000 – 3,999,999	60%	20%	20%
4,000,000 – 4,999,999	50%	25%	25%
5,000,000+	40%	30%	30%

The vesting schedule of such awards is 4 years, with 25% vesting on each anniversary.

Deferred share awards made to Senior Managers are subject to Performance Based Vesting (PBV). The trigger for application of a PBV reduction of a tranche of unvested deferred share (as discussed further below) is the emergence of pre-tax losses in the relevant business of the individual. If there are pre-tax losses in the relevant business, a portion of the deferred share tranche is forfeited, the proportion of which is based on the extent of the losses and prior year net profits.

Deferred cash awarded to Senior Managers is subject to discretionary adjustments. If it is determined that a "Material Adverse Outcome" (MAO) has occurred with respect to a business activity, and that a given employee is deemed to have had "significant responsibility" for that MAO, then a discretionary reduction may be made to the unvested portion of any deferred cash award. Determinations of when a MAO has occurred, which (if any) staff have significant responsibility for the MAO, and what reductions to awards will be made, are all based on the relevant facts and circumstances.

At CPL's discretion, the unvested deferred portion of prior and future awards may be subject to adjustment. All employees who receive deferred cash and deferred share awards are subject to the following adjustment provisions:

- The participant received the award based on materially inaccurate audited publicly reported financial statements; or
- The participant knowingly engaged in providing materially inaccurate information relating to audited publicly reported financial statements; or
- The participant materially violated any risk limits established or revised by senior management and/or risk management; or
- The participant engaged in gross misconduct.

Certain Senior Managers are subject to an additional global independent risk review process under which the control functions (i.e. Compliance, Finance, Risk, Internal Audit and Legal) provide an evaluation of each individual's risk behaviour. The global independent risk review process is included in the performance evaluation system to inform the performance review.

Deferred awards are subject to a clawback provision under which the unvested shares may be cancelled on the same conditions as mentioned above.

APS 330 TABLES 18 and 18A: REMUNERATION DISCLOSURE REQUIREMENTS

Quantitative Remuneration for the year ended 31 December 2013

The following tables have been prepared in accordance with the requirements outlined in APS 330.

(a) The table below provides a breakdown of the values of fixed and variable remuneration for Senior Managers for the year ended 31 December 2013 under paragraphs 18 (h) and (j) of Table 18 and Table 18A of APS 330. All Senior Managers received a variable remuneration award during the 2013 financial year (total of 22 individuals). No sign on bonuses or termination payments were made during the financial year for Senior Managers. There was one guaranteed bonus for a Senior Manager.

Total Value of remuneration awards	Senior Managers – 22[a]	Material Risk Takers – NIL
Fixed Remuneration		
Cash-based (Non Deferred)[1]	$7,232,268	-
Shares and share linked instruments	-	-
Other [2]	$751,650	-
Variable Remuneration		
Cash-based (Non Deferred)[3]	$5,025,860	-
Shares and share linked instruments (Deferred) • Shares[4] • Cash[4]	 $1,327,170 $1,035,119	 - -

(1) Represents actual fixed remuneration received, including employer superannuation contributions.

(2) Represents annual leave and long service leave accruals for the financial year; and contractual allowances.

(3) This refers to the annual performance award (bonus) paid during the 2013 financial year.

(4) Awards (shares and cash) that were awarded in 2013. These awards have a deferred vesting period and also subject to vesting conditions such as clawbacks.

(b) The table below provides a summary of deferred cash and equity-based remuneration, including total outstanding awards, and those that vested during the 2013 financial year, including any reductions due to ex-post explicit and implicit adjustment under paragraphs 18 (i) and (k) of Table 18 of APS 330).

	Senior Managers – 22[a]	Material Risk Takers – 3[a]
Outstanding Remuneration		
Cash-based	$2,305,970	-
Shares and share linked instruments	$5,900,646	-
Other – Cash In Lieu of Equity[1]	$173,651	-
Total outstanding deferred remuneration which vested during the 2013 financial year • Deferred Cash[2] • Shares	 $1,828,336 $930,956	 - -
Total amount of reductions during the 2013 financial year due to ex post explicit adjustments	-	-
Total amount of reductions during the 2013 financial year due to ex post implicit adjustments	-	-

(a) All deferred remuneration is exposed to ex post explicit and implicit adjustments. This includes the sum of all outstanding deferred cash equity awards as at 31 December 2013.

(1) Equity buy-out from previous employer

(2) Includes interest accrued in relation to deferred cash awards vested during 2013